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**TESTIMONY OF DREW LESOFSKI, DIRECTOR OF
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on behalf of

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Massachusetts Hearing on Daily Fantasy Sports Contest Operators

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Attorney General Healey, I am Drew Lesofski, Director of Government Relations for the Daily Fantasy Sports Players Alliance (DFSPA), a nationwide grassroots organization representing the consumer interests of America's DFS players. Massachusetts DFS players represent a significant pool of players for operators—and that number continues to rise on a daily basis. I would like to thank you for providing an opportunity for my organization to provide comments on the proposed adoption of 940 CMR 34.00 (Daily Fantasy Sports Contest Operators). DFSPA is

pleased to serve as a resource to help you better understand how daily fantasy sports can be regulated successfully in Massachusetts—just as online gaming is currently regulated in several states in the United States and around the world, and why regulation of daily fantasy sports is the right course for Massachusetts to pursue.

As an organization, the DFSPA is at the forefront of advocating for sensible state and federal policies, with strong consumer protections at its very core. Today, citizens of Massachusetts have access to multiple DFS game platforms – but they are forced to play on sites that are not licensed or regulated. Any regulation proposed by the state should position players as its core priority and mandate technologies to protect them from fraud, prevent underage access, support funding for the treatment and prevention of compulsive problem gambling, and protect players from both intentional and unintentional misconduct by operators and other industry stakeholders.

A best-practices regulatory framework can be created that, first and foremost, provides players with a safe and fair DFS playing environment, while simultaneously defining parameters within which operators can profitably conduct business and contribute needed revenue to the state.

It is worth looking to the Internet poker industry in other states and Europe as a model for successful daily fantasy sports regulation. Operators must consent to audits, implementation of anti-money laundering compliance programs and multi-step identity verification processes, bot detection, and a host of other so-called “Know Your Customer” compliance guidelines. Operators must also employ technologies that prevent minors from accessing real money sites, identify problem gamblers, and ensure that offered games are fair, as well as using state-of-the-

art geo-location software to block players in prohibited jurisdictions. This is exactly what can and should be happening today in Massachusetts with regards to the regulation of daily fantasy sports. The consumer protection issues that are of most importance to DFS players in Massachusetts are as follows:

Ensure Fair Play

The integrity of DFS games being offered is the paramount concern of players in the state. Effective regulation must require that operators undergo a rigorous initial review of gaming algorithms, as well as continuous periodic testing, to ensure game fairness. The results of these audits should be shared with players in a transparent fashion, enabling players to make informed decisions on which DFS gaming platforms they choose to patronize. Additionally, regulation must establish a process whereby players have recourse in the event of cheating, fraud, and collusion, and that enables player complaints against operators and other industry stakeholders to be fairly adjudicated by a third-party arbitrator.

Identification Protection and Age Verification

Daily fantasy sport regulation must mandate that operator's use proven software technologies to both address identity verification of prospective players and protect the personal and gaming information of its patrons. Specifically, regulation must address (1) the potential of compromised servers that put personal information at risk, (2) viruses, worms and mal-ware that can corrupt players' computers and software, and (3) insecure operator coding that can render player accounts vulnerable and susceptible to hacker attacks.

Financial Safety

The safety of player funds on deposit with operators is an obvious concern. DFS players remember both scandals in the Internet poker industry by unscrupulous operators, and instances of questionable law enforcement overreach that saw player funds vanish with little or no recourse for the player. As such, we urge that operators must (1) be required to maintain minimum reserves to assure that players can get their deposits returned and winnings paid in a timely manner, (2) that player funds are safely segregated from operator accounts without the risk of misappropriation, (3) that policies are in place to allow the prompt repayment of funds in the event of operator failure or insolvency, or regulatory breach or criminal activity, and (4) provide for daily deposit limits as a measure to prevent illegal money laundering activity.

Operator reputation and goodwill alone is not sufficient to provide adequate levels of consumer protection, especially as new and largely unknown operators apply for and receive gaming licenses by the state.

Problem Gambling

Gaming regulators and brick-and-mortar casino operators elsewhere have successfully addressed issues involving problem gambling. Similar safeguards must be established with regards to DFS regulation in Massachusetts. At minimum, (1) players must have the opportunity to self-exclude or to establish loss limits, (2) technology must be employed to identify potential problem gambling behavior by analyzing gambling patterns, (3) provide logs and reports so players know how long they've been playing and how much they have risked, (4) establish a resource guide of

services available to problem gamblers, and (5) require the use of industry databases that identify, prohibit and/or ban excluded players.

Despite the fact that consumer protection can only be guaranteed when legislators and regulators take actions that put player advocacy at the forefront, there will be individuals and organizations who instead will push for a total ban on daily fantasy sports. We urge the Commonwealth of Massachusetts to reject this argument. Effective Internet gaming regulation has been successfully implemented throughout the world for more than a decade. Prohibitions don't work, and in fact, only serve to endanger consumers because they eliminate needed safety nets when problems arise.

Regulation is not only the smart thing to do to protect consumers; it's the right thing to do. A reasonable regulatory approach far outweighs any prohibitionist ban when it comes to player protection, and that, quite simply, is our bottom line.

DFSPA supports the consumer priorities in the proposed regulations for the State of Massachusetts. We applaud efforts to provide a path forward to continuation of DFS with consumer protection at the forefront where everyone wins – the players, the Commonwealth, and the operators.

Thank you, again, madam Attorney General, for allowing the Daily Fantasy Sports Players Alliance to participate in this important information session. Please do not hesitate to contact us if we can be of further assistance.